STELCO: A Story of Shame

STELCO

The story of Stelco is one of mismanagement, greed and legalized theft that allowed both vulture capitalists and foreign multinationals to suck out the company's value, leaving workers and pensioners holding the bag and a whole community feeling the effects.

The first experience with the CCAA started in 2004. Millions of dollars in shareholder value was completely wiped out; the provincial and federal governments were on the hook for over $200 million and the pension funds unfunded liability remained at about $1 billion.

While workers were left reeling, some higher-ups walked away with enormous amounts of money. The total cost for legal and administrative fees was $125 million; one consultant received $4.1 million; the CEO walked away with $67 million; the owner made $375 million and their partners made $167 million. Yet somehow, 2,000 workers lost their job. It's not hard to see who came out ahead after that CCAA process.

Shortly after Stelco trimmed their workforce and was back to making money, US Steel bought the company. Workers were hopeful the American steelmaking giant could turn the fortunes around. Before the purchase was approved, the new owners made 31 promises to the federal government, which included targets for increased production and workforce levels, and a commitment to make the pension plan whole again.

That hope didn't last long.

US Steel decided to cut the Canadian company loose and those 31 promises were abandoned. The Federal government sued the company for not following through on their promises and a secret deal was negotiated, allowing US Steel to walk away after stripping the company of assets and customers. In 2014, US Steel Canada took what was left into creditor protection under the CCAA.

For the next two years, retirees were denied benefits and payments to the pension fund were on hold.

US Steel stripped many of the Canadian operations' assets, took most of the customers, failed to fix the pension fund and walked away with $2.3 billion dollars.

The pensions of over 20,000 people now depends on the eventual sale of very contaminated land on Hamilton's waterfront. Health care benefits and OPEB's will be paid out of a special fund which won't cover all of the health care needs.

Canada's inadequate bankruptcy and insolvency laws failed the workers and retirees of Stelco, and the greater Hamilton Community.

It's time to change legislation to prevent this type of organized legal corporate theft.